



General Assembly

February Session, 2012

Raised Bill No. 409

LCO No. 2151

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Referred to Committee on Insurance and Real Estate

Introduced by:
(INS)

***AN ACT CONCERNING DISCLOSURES FOR CERTAIN LIFE
INSURANCE POLICIES AND CONCERNING LIFE INSURANCE AND
ANNUITY POLICIES THAT INCLUDE LONG-TERM CARE BENEFITS.***

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2012*) (a) For purposes of this
2 section, "cost of insurance" means the portion of the total periodic
3 premium charged by a life insurance company for the insurance cost of
4 a potential death benefit under a life insurance policy.

5 (b) Any life insurance company that delivers, issues for delivery,
6 renews, amends or continues a universal life insurance or similar
7 policy that reserves the right to periodically increase the cost of
8 insurance shall:

9 (1) Prior to a proposed cost of insurance increase, disclose in a
10 conspicuous manner to each policyholder not later than one hundred
11 twenty calendar days prior to the effective date of such proposed cost
12 of insurance increase, in writing and in such form as the Insurance
13 Commissioner may prescribe, a notice that includes: (A) The dollar
14 amount of such proposed cost of insurance increase, including any

15 increase because of the insured's age or change in age rating
16 classification; (B) the specific class or classes of insureds that will be
17 subject to the cost of insurance increase; (C) the applicable policy
18 language governing cost of insurance increases and the specific term or
19 terms therein on which the cost of insurance increase is based; (D) a
20 description of the events or circumstances that triggered the insurance
21 company's decision to propose the cost of insurance increase; (E) the
22 methodology and assumptions used to develop the proposed cost of
23 insurance increase; (F) a copy of any illustration provided to the
24 policyholder at the time the policy was issued and a revised
25 illustration that reflects the proposed cost of insurance increase; (G) an
26 explanation of the policyholder's right to file a complaint for such
27 proposed cost of insurance increase with the Insurance Department
28 and the contact information for said department; and (H) an
29 explanation of the policyholder's right to withhold the cost of
30 insurance increase from premium payments remitted by such
31 policyholder during an action filed in the Superior Court by the
32 policyholder concerning such cost of insurance increase. The
33 provisions of this subdivision shall apply to a universal life insurance
34 or similar policy that reserves the right to periodically increase the cost
35 of insurance that is in force as of July 1, 2012;

36 (2) Prior to a proposed cost of insurance increase, file with the
37 Insurance Commissioner not later than one hundred twenty calendar
38 days prior to the effective date of such proposed cost of insurance
39 increase: (A) Notice and amount of such proposed cost of insurance
40 increase; (B) the specific class or classes of insureds that will be subject
41 to the cost of insurance increase; (C) the applicable policy language
42 governing cost of insurance increases and the specific term or terms
43 therein on which the cost of insurance increase is based; (D) the
44 methodology and assumptions used to develop the proposed cost of
45 insurance increase; (E) all advertising and marketing materials used by
46 the insurance company to advertise or market the policy or policies
47 that will be subject to such cost of insurance increase; and (F) an
48 actuarial memorandum, certified by a qualified actuary, as defined in

49 section 38a-78 of the general statutes, that to the best of such actuary's
50 knowledge, (i) such proposed cost of insurance increase is in
51 compliance with law, and (ii) such increase is not excessive. A cost of
52 insurance increase is excessive if it is unreasonably high for the
53 insurance provided in relation to the underlying risks and costs after
54 due consideration to the projected costs of the life insurance company
55 with respect to the factors on which such company is permitted to
56 increase the cost of insurance under the terms of the policy. The
57 provisions of this subdivision shall apply to a universal life insurance
58 or similar policy that reserves the right to periodically increase the cost
59 of insurance that is in force as of July 1, 2012; and

60 (3) Disclose in a conspicuous manner to an applicant, at the same
61 time and on the same document as the policy quote and on any
62 illustration provided to the applicant with such policy quote:

63 (A) The following statement: "(Name of insurance company) MAY,
64 IN THE FUTURE, INCREASE THE COST OF INSURANCE YOU PAY
65 FOR THIS POLICY FOR THE FOLLOWING REASONS: (insert
66 relevant policy language). PLEASE SEE (insert section number or page
67 number for the relevant policy provision) OF YOUR POLICY."; and

68 (B) For any class of life insurance product for which the life
69 insurance company has increased the cost of insurance within the
70 previous ten years, a statement that such company has increased the
71 cost of insurance within the previous ten years, the dollar amount or
72 percentage of such cost of insurance increase and the class or classes of
73 insureds that were subject to such cost of insurance increase.

74 (c) A violation of subsection (a) or (b) this section shall be deemed
75 an unfair practice pursuant to section 38a-816 of the general statutes.

76 (d) (1) If a policyholder files an action in the Superior Court
77 regarding a cost of insurance increase, during the pendency of such
78 action, such policyholder may withhold from any premium payment
79 made to the life insurance company for such policy the amount of such

80 cost of insurance increase. The life insurance company shall not
81 impose penalties, administrative or late fees or interest on any amount
82 so withheld and shall take no action to cause the policy to lapse or to
83 enter a lapse pending mode during such appeal.

84 (2) (A) If the court affirms the decision of the Insurance
85 Commissioner or dismisses the appeal, or the life insurance company
86 and the policyholder enter into a settlement prior to the court issuing a
87 decision, and such policyholder elected to withhold the amount of the
88 cost of insurance increase pursuant to subdivision (1) of this
89 subsection, not later than thirty calendar days after the date of such
90 affirmation, dismissal or settlement, the life insurance company shall
91 send a notice, in writing, to the policyholder that sets forth the
92 additional amount due, if any, for the accrued cost of insurance
93 increase.

94 (B) Not later than sixty calendar days after receiving such notice, the
95 policyholder shall (i) remit the additional amount due, in which case
96 the policy shall continue in force, or (ii) rescind the policy, effective as
97 of the date the policyholder received the notice of the proposed cost of
98 insurance increase required under subdivision (1) of subsection (b) of
99 this section. If the policyholder elects to rescind the policy, the life
100 insurance company shall refund to the policyholder the full amount of
101 any premium paid by the policyholder on and after such date.

102 Sec. 2. Section 38a-458 of the general statutes is repealed and the
103 following is substituted in lieu thereof (*Effective from passage*):

104 (a) [On and after June 16, 1989, any] Any life insurance company
105 doing business in this state may issue life insurance or annuity policies
106 or certificates, or riders or endorsements thereto, [which] that provide,
107 within the terms and conditions of the policy or certificate, long-term
108 care benefits as described in section 38a-501 or 38a-528, provided such
109 company is licensed for both life and health insurance in this state. The
110 Insurance Commissioner may adopt regulations, in accordance with
111 chapter 54, to implement the provisions of this section. [Prior to the

112 effective date of such regulations, any such policy, certificate, rider or
113 endorsement may be filed with the commissioner and may be
114 approved at the commissioner's discretion.]

115 (b) Long-term care benefits provided pursuant to subsection (a) of
116 this section shall not be subject to the requirements of subsection (b) of
117 section 38a-501 or subsection (b) of section 38a-528.

118 (c) No insurance producer shall sell any such policy, certificate,
119 rider or endorsement unless the producer is licensed to sell both life
120 and health insurance in this state.

121 (d) A life insurance or annuity policy with long-term care benefits
122 issued pursuant to this section may include a rider that provides long-
123 term care benefits that become payable upon exhaustion of [benefits] a
124 specified amount of the death benefit under the life insurance policy or
125 annuity value of the annuity policy. [The] Any elimination period
126 limitations shall apply only to the acceleration phase of the life
127 insurance or annuity policy to which the rider is attached. Such rider
128 shall not contain an additional elimination period and may calculate
129 the waiver of premium from the time benefits are payable under such
130 rider.

131 Sec. 3. Section 38a-458a of the general statutes is repealed. (*Effective*
132 *from passage*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2012</i>	New section
Sec. 2	<i>from passage</i>	38a-458
Sec. 3	<i>from passage</i>	Repealer section

Statement of Purpose:

To require certain disclosures to be provided for a universal life insurance policy or similar policy that reserves the right to periodically increase the cost of insurance, and to allow the issuance of annuity policies that provide long-term care benefits.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]